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# LIBERTY AND COOPERATION

## —Perspectives of Alternative Economic System in Japan in 21st Century—

By Masanori NOZAWA\*

### I Future Perspectives for the 21st Century to Be Set according to the Present Trends

Do we expect how economy and society should be toward the 21st century? How do we design future economic system? It is necessary that we have new perspectives on these issues at the forthcoming entrance of the 21st century.

#### 1. Trends in Japanese Economy in 1980's

Setting future perspectives of Japanese economy requires preliminary analysis of its trends in 1980's-features of "structural changes" of Japanese economy.

To begin with, we try to analyze the capitalistic growth of Japanese economy propelled mainly by large enterprises. As a result of a great "structural change", we are aware of an aspect of dark "shadow" as well as another aspect of superficially gorgeous "development". We will look into these two aspects from the following five points of view.

First, capitalism in Japan attained in 1980's catchup with advanced capitalist nations which had been the goal for Japan. The gross national product per capita of Japan (converted with exchange rates) exceeded that of the United States by virtue of the long-term prosperity from November 1986 through autumn 1991 (the third world highest in 1988; Japan: —\$23,416, the U.S.:—\$19,694, Switzerland: —\$29,022. Source: "Annual Report on National Economic Accounts", 1990). Thus, real wages have gradually risen and consumer goods have been saturated, diversification and luxuriousness of which are eminent. Affluence of Japan, an economic power, looks to have reached the zenith of the world.

On the other hand, however, length of working hours of Japanese salaried workers and laborers are notorious in the whole world (annual working hours of process laborers in manufacturing industries in 1988: Japan, 2,189 hours; the U.S., 1,962 hours; West Germany, 1,642 hours. Source: Labor White Paper, 1990). "Industrial soldiers" are forced extreme tension and "excessive work" within severe competition. On the other hand, real wages per hour internationally compared not by exchange rate but by purchasing power parity (218 yen per dollar) are 162 for the U.S. and 152 for West Germany against 100 for Japan. These data show the Japanese wage level on the purchasing power is by far the lowest of the three industrial nations. The

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total amount of annual wages in Japan is still lower than those of the other countries as shown in the indices of 153 for the U.S. and 112 for West Germany against 100 for Japan ("Labor Statistics Manual, 1990). This indicates that shortage of real wages per hour is supplemented by long hour working and overtime work in Japan. As a result, reduction in working hours and increasement in living hours are not readily making progress. Even under "excessive money heavenh" of large enterprises, the labor's relative share has been lowered. Housing and commuting conditions have not been improved and welfare facilities for the old are poorly provided. The terms "minor power for living" and "distorted economic power" are quite suitable to the actual living feeling of salaried workers and laborers.

Secondly, rapid progress of informatization and service orientation has changed the industrial structure. Information and service orientation have progressed in innovation on computer technology and enhancement of productivity. New information and communication networks prevail, and demand for new products and services has been enlarged. Thus, the "mass production system" in 1960's and 1970's has shifted into the "flexible production system" corresponding to differences and changes of consumers' demand. Choice based on consumers' feeling and taste has come to play an important role. Especially in case of consumption by the young, differences by individuals have been regarded as most important.

Employment has been grown thanks to development of the distribution sector and expansion of various service demand in the tertiary industry.

On the other hand, however, many of the middle-aged workers often excluded from production processes or their working conditions becme worse along with introduction of computers. Regional conditions of industries have also been changed. While the younger workforce is absorbed in regions where new industrial sectors are developped, the middle-aged workforce looses employment, resulting in, regional decline in regions where traditional industries are dominant and depression prevails.

Thirdly, internationalization in economy was amazingly evolved in 1980's. Internationalization has expanded from export and import to overseas direct investment and securities investment. Thus, economic interdependency between Japan and world countries has greatly been intensified.

On the other hand, trade, investment and M&A performed with the purpose of increasing profits of Japanese enterprises cause various types of economic friction. Trade friction, criticism of Japanese methods of business management, deforestation, disruption of natural environment, etc. have gradually become serious. Criticism of exclusiveness of the Japanese market is also strong. Especially, inflow of workforce and refugees from Asian countries have recently been increasing, while the Government of Japan continues to take the exclusive attitude with the reason of pressure to employment of Japanese and fear for worsening of peace and order. Among people of Asian countries, antagonism to the nationalism under which interests of Japanese only are protected is now growing.

Fourthly, privatization and deregulation have been introduced. Until recently,

a remarkable feature of the Japanese market economy has been that the high growth of economy has been promoted with positive market intervention by the Government. As a result, bureaucracy and inefficiency have arisen within large national sectors and influential government regulation, and the effective function of market mechanism has been hindered. In 1981, the Nakasone Government effectuated the privatization of National Railway and Telegraph and Telephone Public Corporations following Prime Minister Thatcher and President Reagan. Certainly, competition has realized improvement of services, diversification of communication networks and price reduction.

On the other hand, however, rise of retrogressiveness caused by introduction of the excise and curtailment of the social welfare budget made living of the weak in the society unstable. Conversely, only large enterprises could extend investment opportunity of public works. Exposure of corruption revealed a cozy relationship between large enterprises and the conservative party.

Fifthly, upsurge of land and stock prices had arisen due to speculation since late 1980's. The background of land price hike was the heavy demand for land due to concentration of enterprises and population into large cities. Land price rising generates swell of corporate assets and enhancement of fund raising ability of enterprises, thereby stimulating speculation to land and stock. As a result, differentials between enterprises and individuals owning land and classes without land have become large. Therefore, many enterprises come to make efforts to rather speculation to land and stock than production. Such phenomenon is called "Casino capitalism".

However, abnormal raising of land and stock prices by speculation, that is to say, "bubble economy", must fail some day. The sharp drop of stock prices since January 1990 revealed that capitalistic prosperity involves very unstable elements.

## 2. Perspectives for Reforms to Be Necessary

At this moment, it is necessary to cherish perspectives for reforms. It becomes an important task to propose to issue perspectives for an "alternative economic system" toward the 21st century replacing the present economic system mainly led by large enterprises in order to improve and reform such capitalistic economic system. For preparing such reformatory perspectives, various issues must be discussed on the basis of analysis of actual economic tendencies since 1980's.

We hereby propose a concept of the economic system of "Liberty and Cooperation" as new reformatory perspectives.

## **II Economic System of "Liberty and Cooperation"**

### **(First Stage)**

#### **—Approach to "Decision"—**

What is the economic system of "Liberty and Cooperation"? We are not yet

able to draw the whole aspect of the system. To figure a mere concept of a finished shape of such system ends up a mere fantastic Utopia. It is necessary to analyze some of its basic elements from actual tendencies and forecast the direction of development of such elements<sup>1)</sup>.

# 1. Positive Appreciation of Market Mechanism and Its Defects

## (1) Recognition of Market Mechanism

Judging from the reality of Japanese economy, the market mechanism must be recognized. The Japanese economy is based on a capitalistic market system. Production, exchange and consumption of goods and services as commodities have been performed under the market mechanism based on the intracorporate capital/wage labor relationship.

The market mechanism has effectively functioned. It has first rapidly developed productive power and technology, secondly expanded and developed economy even with disproportion through coordination of production and consumption of goods and services, and thirdly developed citizen's abilities even with various strains, formulated individuals and advanced modernization of the society. It is necessary for us to face up to reality of such historical development of economy and recognize the market mechanism.

On the contrary, the non-market-based system of "Soviet/Eastern Europe" type socialism by centralized and instructive planning has now completely lost its meaning and functions.

## (2) Meaning of Market Mechanism

The market mechanism has its meaning but, at the same time, the capitalistic market mechanism has remarkable defects. Then, what meaning does the market mechanism have?

First, the market mechanism is an economic system where major elements of economic decision-making power are scattered into individual economic units such as individuals (consumers, laborers, etc.) and enterprises. Demand is decided on the basis of consumer choice on the side of consumption, while supply (production output) and investment are decided on the basis of choice to fully attain corporate objectives (represented by profits in case of capitalism). This is a supply/demand decision-making system by atomism. This enables elimination

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1) In the former paper, we considered democratic regulation of large enterprises by the democratic government as a basic measure to advance economic democracy. (Masanori Nozawa, "The Alternative Economic Strategy in Japan", *The Kyoto University Economic Review*, Vol. 52, No. 1-2, October 1982.)

This paper positively proposes to adopt corporate "cooperation, decentralization and participation" and the market mechanism as an economic system to realize "liberty" and "cooperation" of human individuals from the standpoint of attaching importance to such category of activities. On the basis of this proposition, it must also be emphasized that security of the right to work and live through grass-root people's and laborers' movement is indispensable.

of centralized and bureaucratic decision-making by states and performance of free choice and free decision by individuals and enterprises.

At the stage of low productive power, centralized production and distribution systems were adopted and "equality" was the major sense of value. As productive power becomes enhanced, many goods come to be supplied and it comes to be preferred that individuals perform according to their own choice and decision without control and intervention by others. Thus, decentralized systems have highly been appreciated and "liberty" has become the most important sense of value. Also in Japan, old community has collapsed and behavioral patterns and sense of value based on individualism has gradually prevailed. Especially, the sense of value based on "liberty" has been decisively important in youth's behavior.

The meaning of market mechanism must be understood within the historical context of conversion of the sense of value from "equality" to "liberty".

Secondly, the market mechanism is an economic system to coordinate supply and demand with signals of prices under competition. The mechanism involves dynamism of promoting elevation of production efficiency and development of productive power through changes of prices, costs and productivity. It is, so to speak, a system of efficient allocation of resources. Especially in Japan, "information revolution" progressed in 1970's and 1980's and the weight of service activities also rose on the basis of elevation of productivity thanks to computerization in manufacturing sectors. Such great conversion of industrial structure—increment of weight of information and service sectors—expresses transition from the age when human energies had to be put mainly into physical production sectors to the age when the energies are used for the field of more human activities such as knowledge, communications and amusement. This tendency represents historical progress of the human society.

### (3) Defects of Capitalistic Market Mechanism

At the same time, the present market mechanism is a capitalistic market mechanism mainly devoted to large enterprises. Since capital behavior is profit-oriented, the market mechanism generates various defects and human living is not in harmony. In Japan, there is now the serious state of affairs as stated below.

First, in case of both salaried workers and laborers, very long working hours and high labor density are characteristic and the issue of "death caused by over-work" has become serious. Much slower rise of real wages than the growth of corporate profits results in the decline of labor's relative share. This is because the major decision-making power within a corporation concerning production, employment, investment, personnel management, etc. belongs to capitalists (capital owners and executive officers), who exercise their power mainly for the purpose of maximization of profit. Salaried workers and laborers are substantially excluded from the major decision-making power, though partial participation in

decision-making such as suggestion systems is provided.

Secondly, the market mechanism has a tendency of equilibrating in the long run but, in reality, maximization of corporate profits continuously results in imbalance between supply and demand and rigging of prices, which are amplified by speculation. It is salaried workers and laborers that are always suffered from inflation, depression and unemployment. In the course of structural conversion of industries, corporate bankruptcy and unemployment occurs frequently in declining sectors and depression areas, from which workers suffer.

Thirdly, a gap between the rich and the poor becomes tremendous and fixed through competition in the market mechanism. In Japan, there exists a remarkable gap in financial strength, engineering competence and market share between large enterprises and smaller enterprises, and monopolistic ruling impedes free competition. Also in case of individuals, difference in assets, income and status of parents causes remarkable inequality in competition between young people.

Fourthly, the market mechanism, if unregulated, accelerates overexploitation of resources and disruption of natural environment. Especially, Japan wastes forests and rare animals in developing countries and is liable for impending exhaustion of resources on the earth. Moreover, Japanese come to leadingly perform unregeneratable destruction on a large scale such as accumulation of Freon gas and carbon dioxide as well as global warming. It is no exaggeration to say that a "crisis of the earth and the mankind" is impending.

Such defects are characteristic of the capitalistic market mechanism. While the market mechanism is a basis of individual liberty, it will be liable to destructive results to human living and nature, if capitalistic enterprises perform with intention of profit maximization and effects of the market mechanism are unregulated. And it is large enterprises that have a large responsibility for such defects of the capitalistic market mechanism.

#### (4) Restriction on "Liberty" in Capitalism

Furthermore, the capitalistic market mechanism has the intrinsic limitation, which is that capitalists (capital owners and executive officers) have enough liberty within enterprises but salaried workers and laborers have little. Authority for major and basic decision-making of enterprises belongs to capital owners or executive officers. Salaried workers and laborers who are excluded from decision-making are forced to work under the direction and control by capitalists. Exclusion from basic decision-making within enterprises is deprivation of self-determination itself. Salaried workers and laborers are almost excluded from direct participation in decision-making for production, employment, distribution, investment, etc. within enterprises, and they can only exert indirect influence on decision-making for production, investment, etc. through free choice and decision for consumption with their voting right as a microscopic atom in the market.

On the contrary, capitalists, especially those of large enterprises, who restrict self-determination of salaried workers and laborers, enjoy almost complete self-determination by themselves.

Surely in Japan, salaried workers and laborers are permitted some extent of decentralization and bottom-up reflection of opinions and "participation" in the form of suggestion systems, QC circles, delegation of authority and network organization within "traditional Japanese enterprises" and "Japan-specific management". This "Japan-specific management" system, which is different from existing top-down management systems of Euro-American enterprises, is adopted as media of generating the sense of union-management cooperation and corporate community. A theory that Japanese corporations are "labor-managed enterprises" has emerged from such facts.

However, such "participation" is nothing but a partial participation in daily business decision such as production process, quality control, sales and planning from the purpose of increasing profits. There is no change in the fact that the basic decision-making (investment, employment, personnel, etc.) belongs to executive officers and senior managers. And it is a wide known fact that self-determination of labor union activities and political party support is not secured within enterprises and there is a situation of "no Constitution in workshops". Moreover, nearly two-thirds of salaried workers and laborers work either in small and petty enterprises or under unstable working conditions such as part-timers. Under such employment, it will be more difficult to talk about participation.

"Flexibility" in production and labor organizations noted as a merit of "Japan-specific management" is an ideal type of organization fitting to informatization and service-orientation and becomes a basis of strength of Japanese enterprises. While the competitive position of Japanese enterprises is very high at this stage as a result of fact that capitalistic management based on "corporate community" is heavily influential, it is the actual condition that workers are forced to submit to sacrifices such as long working hours, high labor density and unstable employment.

Under such capitalistic market mechanism, salaried workers and laborers enjoy liberty, even though pretty restricted one, as consumers or citizens, but they are deprived of self-determination on a large scale under labor-management relationship in enterprises. However, experience of free activities of citizens or partial participation in enterprises, though restricted, has a tendency to gradually grow into the social sense and activities demanding "more complete liberty and democracy".

#### (5) Advancement toward Participation in Decision-making in Enterprises

The first step of toward "more complete liberty and democracy" is to advance toward participation in basic decision-making within enterprises by workers or to approach execution of such decision-making.

Here, "democracy" means a political, social and economic system and human relationship for mutually securing "liberty".

Upon considering a stride toward "complete liberty", identification of future goals would be required. Realization of complete autonomy within enterprises is that members of enterprises participating in the corporate activities jointly have authority for basic decision-making of enterprises such as production, employment, distribution, investment, engineering and personnel assignment. It means that "Workers become masters of enterprises" by acquisition of authority of corporate decision-making. Of course, it is inefficient and impractical that many employees of enterprises always jointly decide and control all corporate affairs. Therefore, while authority of major and basic decision-making being substantially held jointly by corporate members, it is necessary to create a system under which inferior and detailed decision and control are decentralized on various corporated levels and each level of employees participate in the respective decision and control.

However, realization of autonomy and democracy within enterprises, that is, "Workers becoming masters of enterprises" can be approached only through developing labor movement with the intention of participating in corporate decision-making for the long term.

The process of such approach is to proceed with the following matters step by step through negotiations between capitalists (capital owners and executive officers) and labor unions.

- i) Reduction in working hours, realization of more human working process and conditions, wage raising and securing of workers' rights;
- ii) Intervention in decisions on employment and distribution and their improvement;
- iii) Oversight, intervention and proposition of improved and alternative plans from viewpoints of workers to decision on production, sales, investment, technical innovation, etc.; and
- iv) Oversight and criticism against antisocial behavior such as natural destruction and speculation.

Especially under existence of inhuman working conditions under which death by overwork often occurs and situation without rights symbolized by "no Constitution in workshops" in enterprises, movement to establish the "minimum conditions on working hours, wages and safety" and various rights in workshops is a starting point of autonomy and democracy in enterprises.

Such advancement of autonomy and democracy in enterprises will better function of the market mechanism so as to realize industrial structure and growth courses to eliminate pursue of excessive profits and speculation and to give priority to citizen's living.

## 2. Public Control

Even though we utilize the market mechanism and pursue autonomy and democracy in enterprises as stated above, defects of the market will continue for a long time. We must perform public control of the economic system based on viewpoints of "cooperation" and "solidarity" as long as there exist defects in the market mechanism.

### (1) Civil Minimum

Difference between social groups became larger in the aspects of wages, income, assets, etc. in early 1980's. Behind superficial "abundance" and luxuriousness of consumption, people with unstable employment such as the unemployed, the aged and fatherless family in depression areas are in a serious situation influenced by the low level or reduction of social security benefits. And the level of social welfare facilities and cultural facilities is also poorer compared with other advanced countries and, also within Japan, there exists large difference of such level between large urban and rural districts.

Under such situation, it has become more important to establish and secure the civil minimum (minimum standard of citizen's social living) and to enhance its level. It is a matter of human basic rights to secure the human civil minimum not only economically but also socially and culturally.

### (2) Prohibition of Monopolistic Behavior of Large Enterprises and Redistribution of Income

Since operation of the Antimonopoly Law has not been so strict and the Fair Trade Commission has not performed severe oversight, examination and punishment, cartel, unfair trade, "dango" (preliminary consultation for fixing bidding prices), etc. are rampant and prices are unduly rigged. Furthermore, the distribution system is inefficient and governmental regulations are applied to various steps of the distribution process. As a result, domestic prices of commodities are much higher than foreign prices (see air fare, medicine prices). Therefore, strengthening of the Antimonopoly Law is necessary for prohibiting monopolistic behavior of large enterprises and protecting interest of consumers.

It is indispensable to intensify redistribution of income by making the property tax and inheritance tax progressive for largescale assets of land and stock.

### (3) Maintenance of Environment, Nature and Resources

Now, protection of the earth, maintenance of nature and environment and saving of resources and energy have become an absolute condition which may be said to be an overriding imperative for life and future of mankind.

For this purpose, oversight of behavior of large enterprises is indispensable which conducts social waste and generates a large quantity of environmental pollution. This can be realized only by cooperation between intracorporate labor unions and consumers' associations.

In Japan, consumption of paper, electric power and petroleum has reached its limit thanks to affluence of the country. Enterprises are inducing excessive consumption to raise their sales. If, however, consumers take notice of exhaustion of resources and crisis of natural environment and they choose the way of living to avoid waste, it should be completely possible to save forests in the Amazon and the South-eastern Asia, stop dangerous nuclear generation, and make the earth environment clean and safe.

(4) "Liberty", "Autonomy", "Self-determination" and "Cooperation", "Solidarity"

The sense of such human minimum living conditions, labor rights, maintenance of natural environment and public control for such purpose can be called the feeling of "cooperation" and "solidarity". If the standpoint of individual "self-determination" and "autonomy" is regarded as fundamental value, then where does the feeling of "cooperation" and "solidarity" come from? First, The feeling comes from sensation of human rights. To make the most of own living and establish the attitude of self-determination and autonomy is connected with respecting living and liberty of others, too, making the most of human rights. Secondly, the feeling comes from views of human interdependence. As international specialization of production is developed and international personal contact becomes popular, it is understood that people's living and liberty are interdependent. Through pictures on TV, state of living of Chinese, East European, African and Central and South American People is broadcast live. Thus, feeling of "cooperation" and "solidarity" with people of the world seems to grow more intensely and widely among the young than the aged. And it can be said that the situation of "liberty" and "autonomy" will be genuine only with the sense of "cooperation" and "solidarity".

(5) Role of Government

In Japan at present, defects of the capitalistic market mechanism strongly emerge. In order to alleviate such defects, therefore, it is necessary to change the present "government devoting to large enterprises" into the "citizen's government" aiming at liberty and democracy, that is, the "government of liberty and democracy" and to perform public control of market mechanism by the government. Since, however, even the "citizen's government" or the "government of liberty and democracy" performs control by power, it always involves danger to fall into bureaucracy and infringe on liberty of individuals. When, therefore, improvement and reform of capitalism as well as freedom and democracy advance and the market mechanism better functions along with intensification of citizen's "liberty" and "cooperation", it can be realized to make the "citizen's government" gradually small and lessen as much as possible intervention against citizen's liberty as the small government. As citizen's society matures or liberty and democracy advance with a great stride, possibility to fully extend the degree of freedom in decision by free individuals will be under the "small government".

### 3. Origin—True Affluence of Human Living

The present reform of economic system will be developed only when the “true affluence of human living” is placed on the origin of the reform.

#### (1) Many-sided Realization of Human Desires

What is the “true affluence of human living?” It is that every person humanly satisfies various desires, enjoys his life and attains self-realization. In other words, it is also said to be “whole-length advancement of human ability”. Many of the Japanese are now pressed by the economic side of living, and other desires and abilities wither away or are suppressed.

“Ease in living” is a requisite condition for “many-sided realization of human desires”.

#### (2) Elongation of Living Hours and Reduction in Working Hours

For reduction in working hours, it is necessary to require to management to raise real wages per hour or elevate labor’s share. Also in the side of salaried workers and laborers, it is fundamental that the living style of not working on holiday and shirking overtime work fix among them. The young came to hate companies with excessively long working hours on the occasion of obtaining jobs. “Transformation” from “overspeeding society” to “easing society” has begun.

Secondly, work sharing should be promoted. At present, shortage of work force becomes severe and tendencies against reduction of working hours such as increase in holiday service and overtime work has been intensified. However, shortage of work force is a matter of young workers and skilled laborers and the middle-aged and elderly and housewives are reversely in oversupply. Therefore, problems of reduction of working hours and shortage of work force can concurrently be solved by reducing working hour per capita and greatly expanding working opportunity of the middle-aged and elderly and housewives on the basis of notion of work sharing. Development of technology of easy working for the middle-aged and elderly and housewives by means of informatization and preparation of working condition suitable to the above can contribute to compatibility between extension of employment and reduction of working hours.

#### (3) Restoration of Cultural Value

Japan has attached too much importance to economic efficiency in the course of economic growth. Every activity in the society is evaluated with the standard of economic efficiency (profits/costs) of short-sighted individual enterprises and any activity regarded to be low in efficiency has been abandoned. On the contrary, social efficiency is made light of (for example, railways) and other standards such as cultural value and natural value have been subordinated to economic efficiency. In order to consider true affluence of living and enhance “quality of living”, it is necessary to respect unquantifiable cultural value, review importance of nature and restrict the scope of application of the economic efficiency standard. Conversion of the sense of values is required so as to allow coexistence

of pluralistic value standards.

#### 4. Participation in Various Decision-Making—Way of Democratic Reform of Economy

Development of citizen's participation in various decision-making and "democratic reform" are never easy. They are a long and distance way which advances within confrontation between people promoting reform in various regions of citizen's economic living and those hindering such reform. We consider some points on four levels about problems which we are now confront upon walking on this way.

##### (1) Participation in Various Decision-making in Enterprises

Until now, Japanese enterprises have had various characteristics of Japanese management (such as lifetime employment, seniority order system, enterprises unions and union-management cooperation). Many of salaried workers and laborers have worked very hard in belief of "companyism" and "enterprise community". In 1980's in the midst of technical innovation, enterprises adopted new "flexible" employment management system such as strengthening of ability based management, weakening of lifetime employment and seniority order, enforcement of dismissal and personnel reshuffle, employment of female, increase in part-timers and use of dispatched laborers and transferred employees. Consequently, various workers' groups and classes have been formulated in enterprises and competition among workers and their unstableness strengthened. Among the young, new tendencies not stuck to existing "companyism" such as increase of job shifts, evasion of overtime work, self-centered behavior and withdrawal from unions have been emerging little by little.

How, under such circumstances, do salaried workers and laborers improve working hours, wages, unstable employment and other labor conditions and intervene and influence various decision-making of enterprises?

It is important to know that there is danger of falling into results that some labor unions actually are subordinated to capitalist management policies and protect capitalist interests through union-management cooperation, while they have the goal of "participation" in order to cope with rapid technical innovation and changes of labor organizations and employment conditions. Conversely, it becomes an important task to develop "participation" in the direction of standing on laborers independent from capitalists and aiming at expansion of rights, autonomy and democracy within enterprises.

Especially, it is decisively important that, while watching changes of the sense of the young and the female, movement and organization should be performed so as to fully consider demand and action of their individualism and priority in living.

##### (2) Participation in Market Decision

Citizen's choice and decision from the standpoint of consumers are made

as individual voting in the market and their sum influences the supply and demand relation and the industrial structure through the market mechanism.

At present, large enterprises (manufactures and distributors) advertise marketing of new products and model changes through mass media and excite consumer's purchasing intention and demand, thus inciting waste. As a result, consumers often tend to be a dependent variable of sales strategies of enterprises. Almost all decisions relating to production, supply and distribution are made on the basis of profits first.

In order to let enterprises correct such attitude, it is necessary to orientate various decisions of enterprises so as to behave not on the basis of profits first but in consideration of social roles through pressure of labor unions and individual workers within enterprises and through citizen's movement from outside enterprises.

- (3) Roles of Citizen's Movement—Cooperative Movement, Female Liberation Movement, Nature Protection Movement, Antinuclear Movement, Consumer Movement, Neighborhood Movement, etc.

Request and movement against a single task such as cooperative movement, female liberation movement, nature protection movement, antinuclear movement and consumer movement developed from 1970's within citizen's social life and they began to play an important role for reform. These movements arousing naive sympathy by many citizens had an impact upon enterprises, society and government sometimes by their original movement and sometimes in cooperation with labor movement.

Organizations for such citizen's movement—associations and intermediate organizations—are organized spontaneously by citizens and have the possibility that the viewpoint of "liberty" and "cooperation" is frankly maintained. It can be expected from now on that these organizations will have impact upon decision of respective fields and advance economic reform while they are vividly developing with propellant of power and originality of the young and the female and they are promoting cooperation with labor unions.

It is a way of promoting improvement and reform of economy under capitalism—democratic reform of economy—to promote participation in various decisions at each level at such standpoint of "liberty" and "cooperation" of individuals.

### **III Economic System of "Liberty and Cooperation"** **(Second Stage)**

—Market Mechanism of "Cooperation, Decentralization  
and Participation" Type Enterprises—

Of what character will the present capital/wage labor relationship, that is, capi-

talistic enterprises and capitalistic economy be, when reform of the economic system based on the thought of "liberty" and "cooperation" greatly advances? We hereby propose the following perspectives on the future direction of such matters:

1. Abolishment of Capital/Wage Labor Relationship—Market Mechanism of Non-capitalistic Enterprises

As mentioned above, a goal of expansion of participation within enterprises is that constituents of enterprises—management staffs and workers—jointly own basic decision-making authority such as production, employment, distribution, investment, engineering and personnel. This is a condition of "perfect liberty" of workers and a basis of fully democratic management and operation. When, however, basic decisions are jointly made, it is impossible that all decisions of individual routine particulars of business management are jointly made. Therefore, enterprises decentralize decisions and control of business management as far as possible and constituents of enterprises participate not only in basic decision but also in decisions and control at the concrete and routine level according to their job. Then, such enterprises are characterized by (1) joint owning of principal decision-making authority and (2) decentralization and participation. These enterprises may already be called non-capitalistic enterprises which do not involve the capital/wage labor relationship.

(1) Joint Owning of Principal Decision-Making

By jointly owning the principal and basic decision-making authority by constituents—management staffs and workers—of enterprises, monopolization of the decision-making authority by the minority (capitalists) and split of persons controlled and working under decision of capitalist (workers) as in the past will disappear. In other words, capital/wage labor relationship will be abolished.

There may be various types of joint owning of such authority. For example, management staffs submit two or more drafts of business planning (including plans on production, employment, profits, distribution, investment and engineering) once or twice a year, and constituents adopt one plan by voting. Then, they decentralize business based on this plan and fully participate in planning, control and execution of concrete business. Management staffs are responsible to execution and coordination of plans and conversely workers express their evaluation in the forms of election, vote of confidence, etc. While a large scale management participation by workers has already been enforced under the Joint Decision Law in Germany (ex-West Germany), the scope of participation is restricted mainly to matters on working conditions, employment and distribution. Future enterprises must secure substantial participation by workers on more comprehensive plans including production and investment.

What are decision standards which constituents of such enterprises have in the management? The first element is to secure normal rate of profit. As far as market mechanism is conditioned, it is natural that the rate of profit, that is, evaluation by the market is used as a standard to judge goal and performance

of operation. While competition for profits is made, the normal rate of profit should be to secure enough labor's relative share, rate of real wages and living hours. This becomes possible by participation in decisions by workers. The second point is to consider restrictions and limits of business activities not with priority on profits and from the viewpoint of protection of natural environment and saving of resources. In order to protect environment, external costs such as environmental pollution must be internalized by means of the market mechanism or regulation by environment standards is indispensable. In this regard, monitoring and checking by workers are decisively important and it is also an essential condition to establish a system to reflect external opinion from nature protection associations and consumers' associations. The third point is to make enterprises correct speculation, cornering, sale of inferior goods and other antisocial behavior by criticism from inside and outside enterprises.

Enterprises with joint decision-making authority can be called "cooperative" enterprises.

## (2) Decentralization and Participation

In such enterprises, basic decisions and business planning are jointly made once or twice a year and routine decision, control and execution of business are made by complete participation at the level corresponding to duties of constituents in fully decentralized organizations.

Management structure of enterprises cannot be wholly decentralized because of necessity of the unification of management. In recent Japan, however, there is tendency of gradually changing from vertical and stratum organizations to interdepartmental horizontal network organizations. In such organizations, independent authority and activities of various departments are recognized and interdepartmental information networks established for mutual coordination. Such organizations would require the policy that workers subjectively develop the tendency of such decentralization and network formation and they are not passively controlled on each level of decision, control and execution but actively participate for self-realization in workshops. Such way of business organization is appropriately characterized as "decentralization and participation" type enterprises.

What are conditions to enable operation of "liberty and democracy" in such enterprises? The first point of such conditions is perfect disclosure of corporate information. Workers and citizens should be able to have access to all of business and accounting information of enterprises and to utilize such information as judgement materials for participation in decision. The second point is that judgement ability and information processing ability become enough enhanced and anybody can perform judgment of basic business planning and processing of routine business. Democratic learning and education must have a great role. The third point is that the viewpoint of "liberty" and "cooperation" becomes more

secured and the system of "liberty and democracy" can be realized only by individual behavior and by support of strong networks of labor unions or citizen's organizations.

(3) Market Mechanism of "Cooperation, Decentralization and Participation" Type Enterprises

When the pattern of decision and behavior is reformed as stated before, characteristics of such enterprises are not "capitalistic" enterprises. Such enterprises become, so to speak, "cooperation, decentralization and participation" type enterprises which respect joint interests of constituents of enterprises, fully realize autonomous decision and participation and attach importance to social responsibility. In the market relations of "cooperation, decentralization and participation" type enterprises, the market mechanism seems to function better and more stably because of realizing not excessive competition but fair competition.

The market mechanism is never restricted to the capitalistic market mechanism. There is another alternative market mechanism different from the current market mechanism whose supreme object is maximization of profits. For example, the "market mechanism of cooperation, decentralization and participation type enterprises" or, simply in a word, the "democratic market mechanism" can be conceptualized. Such perspectives would be a core of the future economic system<sup>2)</sup>.

Of course, this market mechanism requires the public sector such as education and medical care. And occurrence of disequilibrium and defects is supposed. According to the grade, improvement or regulation by the "small government to protect citizen's liberty and democracy" will be necessary. Especially, it is certain that backwardness of economic and living levels of developing countries will last for a long term, so international aid on the standpoint of "cooperation" becomes an important task.

(4) Joint Stock Company and Cooperative Association

There may be joint stock companies, cooperative enterprises and unincorporated enterprises as types of enterprises. From the standpoint based on individual decision by individual "liberty" and "autonomy", it is appropriate to consider that individual ownership is fundamental and jointly owned enterprises such as joint stock companies and cooperative associations are established by mutual contribution of such individual ownership and conclusion of mutual agreements.

Which are more effective type of enterprises, joint stock companies or cooperative associations, would differ by industrial fields. Since key industries such as heavy industry require a large amount of capital, joint stock companies are needed for raising capital. Conversely, in a small scale industrial field near living needs, cooperative associations would be viable. In case of joint stock com-

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2) Theoretical analysis of such economic system is a future task.

panies, some regulations are necessary so as to prevent occurrence of controlling relations by means of stock ownership.

(5) Market and Work Force

Under the market mechanism of "cooperation, decentralization and participation" type enterprises, work force is a hero and it is essentially not "commodity". Outside enterprises, however, the supply and demand relationship and prices of the work force are established in the market, so it is deemed to take a pseudo form of "commodity".

2. Perspectives of Economic System of "Liberty and Cooperation"

What character do perspectives of such new reform have?

It is perspectives of the "economic system to realize perfect human liberty and democracy" based on the thought of individual "liberty and cooperation". The system aims at perfect liberty of individuals and flowering of individuality, abolishes autocracy, exploitation and priority to profits by capitalists by joint decision-making authority in enterprises and removes defects of the capitalistic market mechanism by voluntary social cooperation and solidarity. The system goes beyond the frame of capitalism in the sense of abolishing the capital/wage labor relationship (autocracy and exploitation) for genuine liberty. It may be called "liberal socialism" in the sense of abolishing the capital/wage labor relationship and strengthening social cooperation and solidarity.

Of course, approach to the economic system of "liberty and cooperation" is a gradually progressive process which becomes possible only through improvement and reform step by step for a long term. Theoretically dividing into stages, it will develop, according to the grade of development of democracy, from (1) the stage of approach to decision within the frame of capitalism—stage of "reform of liberty and democracy" (first stage) to (2) the stage of "thoroughgoing liberty and democracy", that is, abolishment of the capital/wage labor relationship—stage of "liberal socialism" (second stage). Actually, distinct division of stages is not easy in the complicated process and various elements will complicatedly mix together.

As stated earlier, this process is a gradual way which advances through a long-term confrontation with various conservative groups having privilege in the existing structure in the midst of development of movement of various organizations of laborers and citizens—labor unions and citizen's associations—and strengthening of their mutual cooperation as well as enhancement of the sense of "liberty" and "cooperation" of each individual and their action. In any movement, operation to understand and develop feeling and request on "liberty" and "cooperation" especially by the young is required. And in daily life, it becomes very important to propose future perspectives solidifying human rights and developing liberty and democracy little by little and to advance step by step.

The concept of socialism has been distorted and soiled by "Soviet and East Euro-

pean type socialism". However, fundamental denial of such old thought and regime is not the same as abandonment of the true core of idea of socialism.

While thought of social democracy seems to have highly appreciated elements such as standing on individualism, enrichment of living and welfare and respect of human rights, it would be overhasty to regard social democracy immediately as an ideal goal. The main stream of social democracy proposes welfare by a large government as the Swedish model. However, critical attitude against the capital/wage labor relationship, that is, autocracy and exploitation of capitalistic economy is not always clear. Besides, a large government always involves danger of producing intervention in individual autonomy and liberty as well as bureaucracy.

Very thought of "liberty and cooperation" would be the primary figure and the origin. It is trial of creating concept of new socialism to realize a perfectly liberal human economic system. Thus, it becomes possible to revitalize within advanced capitalistic countries the life force of original idea of socialism—"human liberation", "liberal cooperation of autonomous individuals" and "entire human development".